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Programme budget for the biennium 2010-2011

Proposed programme budget for the biennium 2012-2013

Limited budgetary discretion

Nineteenth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 2012-2013

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on limited budgetary discretion (A/66/570). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. The Committee recalls that, in its resolution 60/246, the General Assembly recognized the need for limited discretion in budgetary implementation for the Secretary-General within defined parameters to be agreed by the Assembly along with clear accountability mechanisms to the Assembly for its use. Subsequently, in its resolution 60/283, the Assembly authorized the Secretary-General, on an experimental basis, a limited discretion for budgetary implementation for the biennia 2006-2007 and 2008-2009, to enter into commitments up to $20 million in each biennium for positions and non-post requirements for the purpose of meeting the evolving needs of the Organization in attaining its mandated programmes and activities. The authorization was to be implemented in line with nine principles outlined by the Assembly in its resolution 60/283. The Assembly decided, in resolution 64/260, to continue the current arrangements for the exercising of the limited discretionary authority by the Secretary-General during the biennium 2010-2011.

3. In his present report, the Secretary-General proposes that the limited budgetary discretionary authority be established as a permanent mechanism with the following modifications: (a) an increase in the limit of the discretionary authority from $20 million to $30 million per biennium; (b) a change in the limit of utilization of the discretionary authority by the Secretary-General without prior concurrence of the Advisory Committee on Administrative and Budgetary Questions from

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$6 million per biennium to $6 million per year; and (c) authority to utilize the discretionary authority with respect to General Assembly resolutions to be implemented "within existing resources" in cases where activities are of a cross-cutting nature, affecting many budget sections, which would require an amendment to paragraph 8 (e) of section III of resolution 60/283 (see A/66/570, para. 53).

4. The Advisory Committee recalls that, in its last report on this subject (A/64/7/Add.18), it had recommended that the Secretary-General fully address the requests made by the General Assembly in section III, paragraphs 10 (a) to (d), of its resolution 60/283. That recommendation was endorsed by the Assembly in resolution 64/260. In those paragraphs the Assembly had requested information on:

(a) The utilization of the experiment during the course of the two bienniums;

(b) Implications, if any, for the human resources management policies and the Financial Regulations and Rules;

(c) The impact on programme delivery, as well as on the priorities of the United Nations as set by Member States;

(d) The criteria used by the Secretary-General to define the evolving needs of the Organization.

5. The Committee notes that, in the present report, the Secretary-General has responded to the General Assembly's previous requests. Reporting on the utilization of the limited budgetary discretion, the Secretary-General explains that from 2006 to 2011 it has been used for the avian influenza pandemic preparedness; fire safety; the enterprise resource planning system; human influenza pandemic preparedness; the extension of the appointments of ad litem judges of the United Nations Dispute Tribunal and their support staff; strengthening of the Administrative Law Section of the Office of Human Resources Management and the Office of Legal Affairs; and reconstruction and renovation of the premises of the Economic Commission for Latin America and the Caribbean (ECLAC) in Santiago following the 2010 earthquake (A/66/570, paras. 19-25). He indicated that it is expected that no recourse to the mechanism will be needed in 2011 (see also A/66/578, paras. 37-45 and table 10). Annex II to the Secretary-General's report provides information on the utilization of the limited budgetary discretion by budget section. A summary of the utilization of the mechanism by biennium is set out in the table below.

Utilization of the limited budgetary discretionary authority for the bienniums 2006-2007 to 2010-2011

(United States dollars)

Limited budgetary discretion used for[a]	*2006-2007*[b,c]	*2008-2009*[d]	*2010-2011*[e]	*Total*
Avian influenza pandemic preparedness	5 283 400	—	—	5 283 400
Human influenza pandemic preparedness	—	8 556 100	—	8 556 100
Enterprise resource planning project	—	2 764 000	—	2 764 000
Fire safety at United Nations Headquarters	3 500 000	—	—	3 500 000
Strengthening of the Office of Legal Affairs	—	—	826 600	826 600
Dispute Tribunal	—	—	2 038 200	2 038 200
Strengthening of the Administrative Law Section	—	—	518 900	518 900
ECLAC reconstruction[f]	—	—	5 522 900	5 522 900
Total	**8 783 400**	**11 320 100**	**8 906 600**	**29 010 100**

[a] The requirements have been funded through the utilization of savings under various programme budget sections.

[b] No use of the limited budgetary discretion was made in 2006 (see A/64/562, para. 8).

[c] See A/64/562, para. 9.

[d] See A/64/545, para. 28, and resolution 63/262, sect. II, paras. 18-20.

[e] To be reported in the context of the second performance report for the biennium 2010-2011.

[f] Does not reflect insurance reimbursements of $1,785,000 that were redistributed back to releasing sections.

6. Upon enquiry as to the utilization of the limited budgetary discretion for the enterprise resource planning system, the Committee was informed that the General Assembly approved an amount of $20 million for the project for the biennium 2008-2009, and requested the Secretary-General to meet the regular budget share of the overall requirements for the project in the amount of $2,764,000 from the overall resources appropriated for the biennium 2008-2009 and report on this in the second performance report for the biennium (resolution 63/262). In view of the fact that the enterprise resource planning system would affect many budget sections, the limited budgetary discretionary authority was utilized to meet the regular budget share of $2,764,000, and the requirement was absorbed within the existing resources of the overall budget (see also para. 16 below, and A/64/7/Add.18, para. 5 and table).

7. With respect to the implications, if any, for the human resources management policies and the Financial Regulations and Rules, the Secretary-General indicates that, in accordance with the nine principles set out by the General Assembly in its resolution 60/283, the exercise of the limited budgetary discretionary authority has had no implications for the human resources management policies or the Financial Rules and Regulations of the United Nations (A/66/570, para. 28). The Secretary-General explains that a detailed review of the vacancy and expenditure performance of concerned sections is undertaken to determine whether the additional requirements stemming from such initiatives can be absorbed. Where these cannot be absorbed, a detailed review of the overall vacancy rate and expenditure performance by section is conducted to determine whether funds can be released to support the initiatives under the discretionary authority. Funds are redeployed only from those sections that have vacancy rates higher than the budgeted rate, resulting in underutilization of amounts budgeted for posts, and projected low expenditure patterns (ibid., para. 29).

8. The Secretary-General further clarifies that utilization of the authority is subject to the Financial Rules and Regulations and does not hinder the application of established financial and budgetary policies and procedures (ibid., para. 31).

9. Regarding the impact of the discretionary authority on programme delivery and on the priorities of the United Nations as set by the Member States, the Secretary-General states that the exercise of the authority has not altered the priorities of the United Nations and has had a positive impact on programme delivery. In particular, since funding of evolving needs is taken from underutilized amounts resulting from post vacancies, programme delivery for those sections where funding is released is not hampered and the recruitment process in those sections is unaffected (ibid., paras. 32-33).

10. The Secretary-General indicates that the limited budgetary discretionary authority allows him the flexibility to meet emerging and unforeseen needs, as described in paragraph 5 above, in a timely manner within the approved level of appropriations and without negatively affecting mandated programme delivery (ibid., para. 37). He makes particular reference to the ability to ensure the safety of staff, delegates and visitors at Headquarters, and personnel in ECLAC, following the earthquake in Chile in February 2010.

11. According to the Secretary-General, the utilization of the limited budgetary discretionary authority falls outside the parameters of existing mechanisms, such as the contingency fund and the unforeseen and extraordinary expenses mechanism. He also indicates that the advantages of the limited budgetary discretionary authority over other mechanisms are the speed with which evolving needs for which other resources are not available can be addressed, and the fact that it does not require additional funds to be made available or a new appropriation by the General Assembly (ibid., paras. 39-44).

12. In paragraph 35 of his report, the Secretary-General identifies the following criteria applicable to the evolving needs of the United Nations in the context of limited budgetary discretion:

(a) The proposed activity is in support of the priorities of the Organization;

(b) The required resources are not included in currently approved budgets;

(c) The required resources cannot be accommodated from within the amount appropriated at the budget section level;

(d) The proposed activity does not lend itself to funding by other sources, such as extrabudgetary resources, the contingency fund or under the provisions of unforeseen and extraordinary expenses in respect of the maintenance of peace and security;

(e) The requirements are of a one-time nature (specific to the current biennium). If requirements are of a continuing nature and would continue into a subsequent biennium, provision should be made for continuing costs in budgetary proposals for subsequent periods.

13. Upon enquiry as to the requested change in the limit of utilization of the discretionary authority by the Secretary-General without prior concurrence of the Advisory Committee, from $6 million per biennium to $6 million per year, the Committee was informed that if the limit of $6 million is not reached in a given year, access to the remainder will not be carried over to the next year.

14. Concerning the requested amendment to paragraph 8 (e) of section III of resolution 60/283, the Secretary-General states that experience demonstrates that the use of limited budgetary discretion would seem fitting for cross-cutting activities that affect many budget sections, especially where absorption within a budget section could affect programme delivery (A/66/570, para. 49). Upon enquiry, the Committee was informed that in cases where the activity to be carried out would ultimately have an impact on many budget sections, use of the authority would provide a means to ensure that requirements are absorbed within existing resources of the overall budget, rather than in the specific budget section undertaking the activity, in order to minimize the impact on sections with less capacity to absorb.

15. **The Advisory Committee notes the criteria used by the Secretary-General to define the evolving needs of the Organization in the context of limited budgetary discretion (A/66/570, para. 35). It emphasizes that limited budgetary discretion must be exercised in accordance with the nine principles set out by the General Assembly in its resolution 60/283 (section III, para. 8). In view of the information provided regarding the areas in which it has been exercised, the Committee believes that clearer criteria for determining which activities should be funded through limited budgetary discretion will ensure a more consistent approach to the utilization of the budgetary discretion, responding to changing requirements arising during the biennium. Consequently, the Committee is of the view that the limited budgetary discretionary authority should be continued on an experimental basis.**

16. **The Advisory Committee recalls that it had previously highlighted the inadequacy of the justifications and explanations provided by the Secretary-General for proposed modifications in the last biennium (see A/64/7/Add.18, para. 7). The Committee considers that the current proposal does not put forward any new arguments or rationale in support of the proposed modifications to the limited budgetary discretionary authority, in particular the request to increase the limit of the authority from $20 million to $30 million, and the request to modify the limit of utilization of the discretionary authority by the Secretary-General without prior concurrence of this Committee from $6 million per biennium to $6 million per year. The Committee points out that the biennial utilization pattern does not indicate that the current $20 million limit is inadequate. It is also unclear why a change is needed with regard to the authorization to the Secretary-General to utilize up to $6 million under the discretion on a biennial basis without the prior concurrence of the Advisory Committee.**

17. **In the light of its observations above, the Advisory Committee recommends the continuation of the limited budgetary discretion experiment under the current arrangements, without the proposed modifications, for the utilization by the Secretary-General of the limited budgetary discretion for the 2012-2013 biennium. The Committee further recommends that the Secretary-General be requested to provide information to the Assembly at its sixty-eighth session addressing the issues raised above.**